CIVIL LEGAL SERVICES

SPECIAL OPERATING AGENCY

2011/12
ANNUAL REPORT

Manitoba

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ATTORNEY GENERAL
MINISTER OF JUSTICE

Room 104
Legislative Building
Winnipeg, Manitoba, CANADA
R3C 0V8

The Honourable Philip Lee
Lieutenant Governor of Manitoba
Room 235 Legislative Building
450 Broadway
Winnipeg MB R3C 0V8

May It Please Your Honour:

I have the honour of presenting the Seventeenth Annual Report of the Civil Legal Services Special Operating Agency for the fiscal year ended March 31, 2012.

Respectfully submitted,

ORIGINAL SIGNED BY

Andrew Swan
Minister of Justice
Attorney General

Manitoba

Justice
Deputy Minister of Justice and Deputy Attorney General
Room 110 Legislative Building, Winnipeg, Manitoba, Canada R3C 0V8

July 31, 2012

Honourable Andrew Swan
Minister of Justice
Attorney General
Room 104 Legislative Building
450 Broadway
Winnipeg MB R3C 0V8

Dear Minister:

I am pleased to submit for your consideration the Seventeenth Annual Report of the Civil Legal Services Special Operating Agency for the fiscal year ending March 31, 2012.

The results of the 2011/12 fiscal year indicate that Civil Legal Services (CLS) has operated successfully and effectively by focusing on client service. The results also indicate that the advantages of SOA status, including the flexibility to hire staff as required to provide service levels appropriate to client demand, the ability to plan on a long term basis, and the ability to acquire equipment and supplies that support effective operation and promote a good working environment, are essential to CLS sustaining the provision of high quality legal services to its clients and in recovering the full cost of its operations.

The Advisory Board is pleased with the continued success of CLS and encouraged by the commitment of its employees and the support of its clients.

All of which is respectfully submitted,

ORIGINAL SIGNED BY

Jeffrey A. Schnoor, Q.C.
Deputy Minister of Justice
Deputy Attorney General

Manitoba

Justice
Civil Legal Services SOA
Room 730 Woodsworth Building
405 Broadway
Winnipeg MB R3C 3L6

July 31, 2012

Foreword

It is with great pleasure that I present the Seventeenth Annual Report of the Civil Legal Services (CLS) Special Operating Agency.

This report provides an overview of CLS and outlines its accomplishments during its seventeenth year (2011/12) as a Special Operating Agency (SOA).

The members of CLS are committed to providing timely, quality, helpful, efficient and cost effective legal services that meet the needs of its clients.

The results described in this annual report reflect the commitment and cooperation of all members of CLS.

ORIGINAL SIGNED BY

C. Lynn Romeo
Director

PROFILE OF CIVIL LEGAL SERVICES

Civil Legal Services

The role of Civil Legal Services ("CLS") flows from the constitutional and statutory[1] responsibilities of the Minister of Justice as the Chief Legal Advisor to government and the guardian of the public interest. Acting pursuant to government policy, Civil Legal Services is responsible for providing a full range of high quality legal services, on a cost recovery basis, to its clients, namely the Government of Manitoba, the government's agencies, boards and committees and some Crown corporations.

Special Operating Agency Status

CLS remains a branch within the Department of Justice of the Province of Manitoba and is accountable to the Deputy Minister and Minister for operational and financial performance. As a special operating agency, CLS operates outside of the Consolidated Fund and under the Special Operating Agencies Financing Authority ("SOAFA"), which holds title to CLS's assets, provides financing for operations and is responsible for CLS's liabilities. Accountability is supported by CLS's compliance with its Operating Charter, transfer agreement, management agreement, applicable General Manual of Administration policies and *The Special Operating Agencies Financing Authority Act* ("*The SOAFA Act*").

The increased management authority and more rigorous planning and reporting requirements afforded by special operating agency ("SOA") status have assisted CLS in sustaining the provision of high quality legal services to its clients.

[1]The statutory basis for the Minister's responsibility is set out in sections 2 and 2.1 of *The Department of Justice Act*, C.C.S.M. c. J35.

MISSION, OPERATING PRINCIPLES AND CRITICAL SUCCESS FACTORS

Mission of CLS

CLS's mission is to provide timely, high quality, helpful, efficient and cost-effective legal services that meet the needs of its clients, namely, the Province of Manitoba and the province's agencies, boards, commissions and those Crown organizations to which CLS provides legal services.

Operating Principles

CLS's mission and goals are supported by the following operating principles:

- service is customer focused
- service is cost-effective
- a commitment to the highest standards of service

Critical Success Factors of CLS

Factors critical to the success of CLS are:

- providing timely, high quality, helpful, efficient, cost-effective legal services that meet the needs of its clients;
- determining its effectiveness in meeting its clients' needs;
- identifying better ways to meet its clients' needs for legal services;
- improving communication between CLS and its clients and communication within CLS;
- improving job satisfaction; and
- developing means to assist staff to work as effectively as possible to satisfy changing client needs and to make adjustments to deal with increasing work loads, deadlines and the pressure of reduced resources.

COST RECOVERY BY CIVIL LEGAL SERVICES

On April 1, 1992, CLS became the first government legal services office in Canada to recover the cost of providing legal services to its clients.

On April 1, 1995, CLS commenced operation as a special operating agency.

In fiscal year 2011/12, clients were billed at the rate of $160.00[2] per hour for services provided by CLS counsel, being the amount required to cover all of CLS's costs and break even. All of CLS's costs are covered by this hourly rate, including wages, operating expenses (including rent) and employee benefits (including pension benefits).

The CLS cost recovery system operates in a fashion similar to billing systems used by private law firms. Time spent by counsel in providing services is billed in increments of one-tenth of an hour. Each counsel keeps a daily record of time for services provided, indicating the client for whom the work was performed, the file on which work was performed, a brief description of the service provided and the amount of time expended. In fiscal year 2011/12, clients were provided with detailed statements of account showing the services provided on each file on a monthly basis.

2

Year	Hourly Rate
95/96	$97
96/97	$97
97/98	$97
98/99	$97
99/00	$101
00/01	$105
01/02	$123*
02/03	$126
03/04	$129
04/05	$133
05/06	$137
06/07	$137
07/08	$148**
08/09	$151
09/10	$158
10/11	$158
11/12	$160

*In 2001/02, CLS increased its hourly rate by $4.00 to $109.00 per hour for services provided by CLS counsel. The rate of $109.00 per hour made no provision for increased salary costs. Effective November 1, 2001, CLS increased its hourly rate to $123.00 per hour to cover the increased salary and benefit costs resulting from the arbitration award for the Manitoba Association of Crown Attorneys (MACA).

**Similarly, in 2007/08, CLS maintained an hourly rate of $137.00 for part of the fiscal year. The rate of $137.00 per hour made no provision for increased salary costs. Effective October 1, 2007, CLS increased its hourly rate to $148.00 per hour to cover the increased salary and benefit costs resulting from the new collective agreement with MACA.

LEGAL SERVICES

CLS Services

CLS provides a full range of legal services in the following areas:

- Aboriginal Law
- Access to Information and Privacy Law
- Administrative Law
- Civil Litigation
- Constitutional Law
    - assisting the Constitutional Law Branch in some cases involving the application of the *Canadian Charter of Rights and Freedoms* and in Aboriginal self-government issues
    - providing advice on the constitutional division of powers and taxation issues
- Contracts and Agreements
- Conveyancing
- Corporate and Commercial
- Information Technology
- International Law
- Legal Opinions
- Legislative Review and Policy Development (which occasionally includes drafting legislation)
- Training and Education

Use of Outside Counsel

CLS provides most, but not all, civil legal services to government and its agencies. In appropriate circumstances, at the request of a client, outside counsel is retained by the Department of Justice, through CLS.

The current policy respecting the circumstances when outside counsel are retained provides considerable flexibility in meeting the clients' needs. At the request of a client, the Department of Justice, through CLS, will continue to retain outside counsel on a case by case basis where:

(a) the type of legal service required involves a degree of specialization which is not ordinarily available within CLS;

(b) the nature of the matter creates a conflict of interest for government legal counsel;

(c) it is more cost-effective to retain outside counsel; or

(d) the matter is of such magnitude that it would not be possible for CLS to provide the services while continuing to meet the needs of other clients.

STRUCTURE OF CIVIL LEGAL SERVICES

Staff

As of March 31, 2012, CLS staff consisted of:

- 1 director
- 36 legal counsel *(33 in regular positions, 2 in term positions and 1 on secondment in a Prosecutions position)*
- 1 administrative officer
- 19 administrative assistants *(18 in regular positions and 1 in a term position)*
- 1 financial officer
- 1 accounting clerk
- 2 articling students

CLS supports flexible work arrangements, including job sharing, part-time work arrangements and flexible hours, to accommodate the balancing of career and family. During 2011/12, three legal counsel and five administrative assistants worked in varied work arrangements.

Key Personnel

All members of CLS are key personnel and are committed to using their best efforts to advance the CLS mission of providing timely, high quality, helpful, efficient and cost-effective client-focused services. The provision of legal services requires a strong knowledge of the law and government issues as well as a high degree of collaboration, cooperation and consultation among members of CLS and with other counsel in the Department of Justice. All members have demonstrated these skills. They have also worked extremely hard to meet the service and operational goals of CLS.

Members of CLS are encouraged and given support to upgrade their skills.

Organization of Counsel

Legal counsel are divided into four teams, each headed by a team leader.

One team is designated as the litigation team and the members of this team perform most of the CLS litigation work. Litigation coming into the office is generally assigned to counsel by the litigation team leader. The second team consists of counsel whose area of practice is primarily corporate, commercial and information technology law. The third team, the Crown law team, consists of counsel who provide a wide range of legal services, including in the area of access to information and privacy. The fourth team of counsel practice primarily, but not exclusively, in the field of Aboriginal law and resource law.

The only legal position dedicated to management is that of Director. All counsel, including the Director, provide legal services to clients. Most counsel are assigned to provide legal services to one or more client departments or agencies. The larger clients are served by more than one counsel.

Administration

The day to day operations of CLS are managed by the Director, who reports directly to the Deputy Minister of Justice.

Within CLS, the "Action Committee" deals with administrative and other matters affecting its operations. The Action Committee consists of the Director, six legal counsel, the Financial Officer, the Administrative Officer and two administrative assistants and generally meets on a quarterly basis.

All members of CLS are expected to do what is necessary to meet client needs. They are given the information and authority needed to provide clients with timely and appropriate services.

ADVISORY BOARD

The Director provides plans and reports to the Advisory Board, established under the CLS Operating Charter, for review and consultation. The Advisory Board members are appointed by the Minister of Justice and the Board is chaired by the Deputy Minister. The Board's role is to provide advice to CLS on its direction, the provision of services, its structure and on its mandate, business practices and financial reporting requirements.

As of March 31, 2012 the members of the Advisory Board were:

Ex officio

- Deputy Minister of Justice
  Chairperson
- Assistant Deputy Minister of Justice
- Director of CLS

External Representatives

- Richard Olfert
  Managing Partner
  Deloitte & Touche
- Don Martin
  President
  Don N. Martin Inc.

Client Representatives

- Hugh Eliasson
  Deputy Minister of Entrepreneurship, Training & Trade
  Deputy Minister of Immigration & Multiculturalism
- Marlene Zyluk
  Executive Director
  Corporate Crown Lands Policy
  Conservation & Water Stewardship

Representative of the Members of CLS

- W. Glenn McFetridge
  General Counsel

CIVIL LEGAL SERVICES CONTACTS

Civil Legal Services SOA
Manitoba Justice
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Winnipeg MB R3C 3L6
Phone: (204) 945-2832
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C. Lynn Romeo
Director
(204) 945-2845

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Financial Officer
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Wendy Roche
Administrative Officer
(204) 945-0303

Eleanor Andres
Team Leader & General Counsel
(204) 945-0250

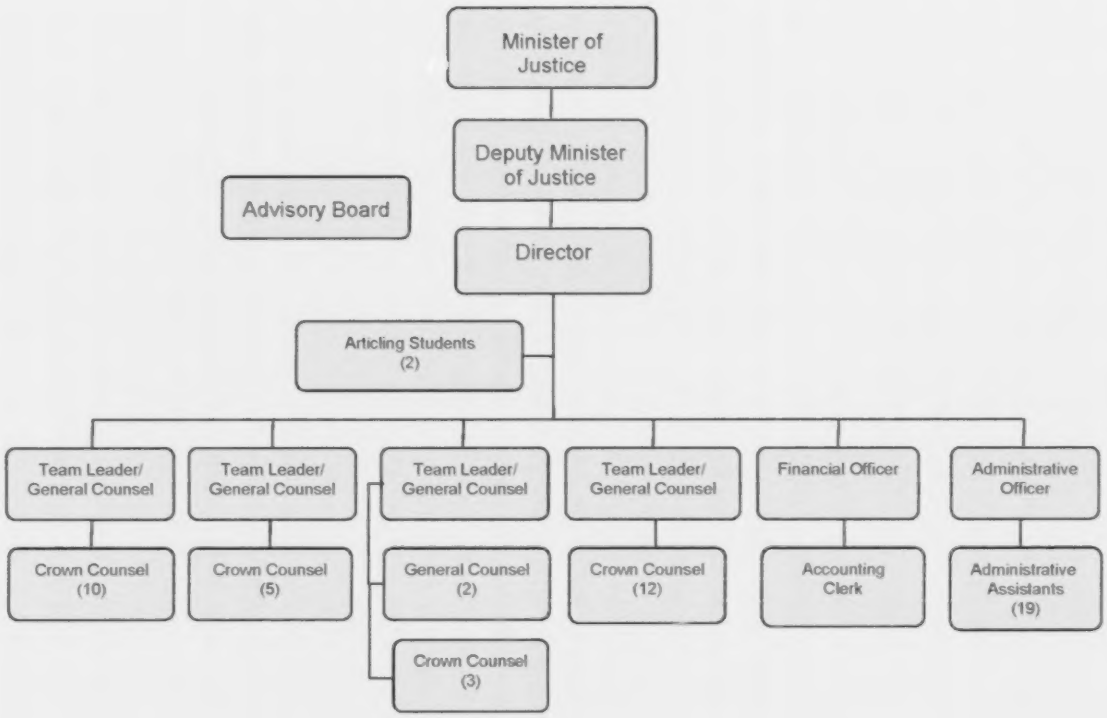
Gord E. Hannon
Team Leader & General Counsel
(204) 945-0242

W. Glenn McFetridge
Team Leader & General Counsel
(204) 945-2843

Stewart Pierce
Team Leader & General Counsel
(204) 945-2835

CIVIL LEGAL SERVICES ORGANIZATION CHART 2011/12

As at March 31, 2012



SUSTAINABLE DEVELOPMENT

In December 2002, in accordance with Manitoba's Sustainable Development Procurement Guidelines, an Organizational Action Plan for the Department of Justice was developed. CLS adopted the Action Plan of Justice and implemented the goals that were applicable to its operation.

All CLS employees have worked toward the common objective of realizing the Province's sustainable development goals. The use of duplex printing and double-sided photocopying to reduce paper consumption, and participation in recycling programs were common practice in 2011/12. When feasible, CLS purchased and used environmentally preferable products and services, e.g. recycled paper and recycled toner cartridges for printers and fax machines.

PERFORMANCE INDICATORS AND ACHIEVEMENTS

In the 2011/12 CLS Business Plan, CLS established the following performance indicators for the year which set achievement levels for CLS.

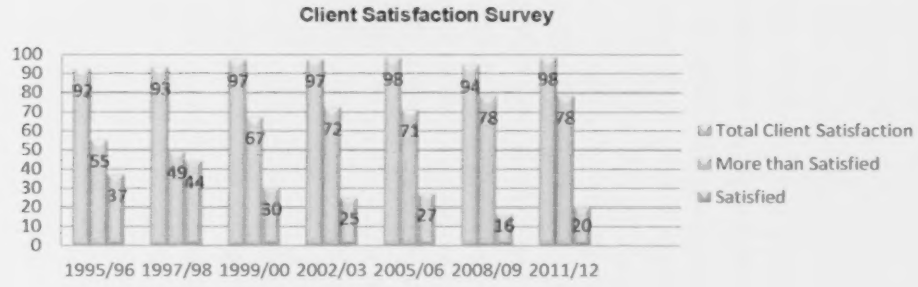
Client Satisfaction

Performance Indicator: Meetings with clients to discuss service.
Performance: Meetings completed.

Over the 2011/12 fiscal year, the Director of CLS met with Deputy Ministers and/or representatives of CLS's client departments and representatives of its Crown corporation clients to discuss the commitment of CLS to providing client-focused, high quality services; the services provided and the benefit of those services to the client; the cost-effective nature of the services; and client concerns and issues.

Performance Indicator: Conduct Seventh Client Satisfaction Survey
Performance: Survey Completed

In the third quarter of 2011/12, Organization and Staff Development conducted a sixth Client Satisfaction Survey on behalf of CLS. The results of this survey were very positive, with 98% of the respondents indicating that they were satisfied or more than satisfied with the services provided by CLS. The results compare favorably to the results of the five previous Client Satisfaction Surveys conducted on behalf of CLS.



Performance Indicator: Review of Service Standards.
Performance: Service Standards reviewed.

The CLS Service Standards were established in 1995/96, and have been reviewed regularly. Service standards are needed to ensure client satisfaction with the services provided and to assure the ongoing maintenance of a high standard of service delivery. CLS Service Standards are designed to ensure that CLS will continue to provide clients with a service which they value by providing a measure by which the quality of the legal services provided by CLS may be judged by those receiving the services (the client) and others, and by providing the staff of CLS with objective standards to be observed in carrying out their responsibilities.

There was nothing in the feedback from clients in 2011/12 to suggest that any amendment was required in the CLS Service Standards. Accordingly, CLS determined that no change to the Standards was necessary.

Performance Indicator: Publish three information bulletins.
Performance: Three information bulletins published.

In order to inform its clients on significant legal issues and related matters of interest, CLS published three Information Bulletins in 2011/12:

1. Monetary Damages for Violations of the Charter *Vancouver v. Ward*, 2010 SCC 27
2. Summary of Manitoba Government Bills, 5th Session, 39th Legislature (Parts 1 and 2)
3. Responding to Human Rights Complaints Against the Government of Manitoba

In order to achieve the widest possible distribution of its Information Bulletins across government, CLS posted these and other recently published bulletins on the Justice Intranet.

Performance Indicator: Educational seminars for clients on current legal issues and developments.
Performance: Members of CLS were directly involved in providing or presenting at a variety of seminars.

CLS counsel were involved in providing a number of seminars, presentations and training sessions, including the following:

Seminars/Presentations and Workshops/Training Sessions

Client/Participant	Topic/Issue
Advanced Education and Literacy Executive Management Committee	Restrictions on government advertising and publishing under *The Election Finances Act*
Government Access & Privacy Coordinators	*The Freedom of Information and Protection of Privacy Act*, including: • Training sessions on Exceptions to Access • Case Study: Submission to the Ombudsman for an extension of time under the Act • General information respecting recent amendments to legislation; fee estimate process, resource manual, etc.
Flood Compensation Appeals Commission	Workshop on Administrative Procedures and Decision-Making
Law Enforcement Review Agency	*The Law Enforcement Review Act*
Chairs/Board Members of Manitoba Administrative Tribunals	▪ Manitoba Council of Administrative Tribunals Sixth Annual Conference including: provision of tribunal reasons; panel presentation on Recent Case Decisions in Administrative Law; ▪ Presentation re Records, Access and Privacy and Administrative Boards and Tribunals ▪ Workshop on Administrative Decision Making ▪ Tribunal Member Training Program
Manitoba Justice – Crown Prosecutors	"Teachers in Trouble with the Law"
United Nations International Day of Persons with Disabilities – United Nations Convention on the Rights of Persons with Disabilities, The Way Forward	Progress Report: The Way Forward on the Convention in Manitoba

Job Satisfaction

Performance Indicator: Focus on use of CLS Annual Staff Review Process.
Performance: Staff reviews conducted.

Implemented in 1997/98, the review process with respect to the members of CLS is intended to facilitate achieving the mission of CLS and to contribute to the benefits identified as flowing from the Review Process, including: improving communication within CLS, clarifying roles and expectations, improving job satisfaction, assisting with career planning and training, and assisting the members of CLS to work as effectively as possible.

Fiscal Performance

Performance Indicator: To recover the cost of operations.
Performance: CLS recovered the cost of operations with a surplus.

Performance Indicator: To meet daily average billable hour target of 6.0 hours per billable day over the year.
Performance: Target exceeded.

The daily average billable hour target per lawyer of 6.0 hours per billable day during 2011/12 was exceeded and CLS recovered the cost of its operations. These results reflect a high level of productivity on the part of the members of CLS.

Performance Indicator: To make a revenue sharing payment as directed.
Performance: CLS made a revenue sharing payment of $250 as directed.

As directed by Treasury Board, CLS paid quarterly revenue sharing payments totaling $250 in 2011/12.

PERFORMANCE MEASUREMENT

Performance measurement outcomes for staffing, client service, client satisfaction and cost savings are attached as Appendix A.

Cost Effectiveness

(In Thousands)

Annual Cost Savings

The cost recovery for legal services was introduced as a budget reduction measure. Unlike the approach taken with respect to the recovery of rental costs by Government Services, the client departments of CLS were not given any additional funding to cover the cost of legal services. This means that the amount charged each year to each client represents a net reduction in the client budget and an on-going budgetary savings to government.

Following this approach, the total savings from April 1, 1995, to March 31, 2012, are $80,690.

Surplus (Deficit)

As CLS operates very cost effectively, such that each year it has recovered an amount that exceeds its annual operating costs, the difference between the dollar value of service provided each year and the cost to government of CLS's operations in that year in effect is another way of calculating a cost savings as those funds are collected by CLS from clients but not expended. Looking at savings in this fashion, the annual net surplus of CLS each year could be considered to be a government cost saving.

Total savings to March 31, 2012, are $4,527.

Revenue Sharing

A third way of calculating cost savings to government would be to include revenue sharing payments from the Accumulated Surplus of CLS paid to government. In 1998/99, CLS made a $400 revenue sharing payment to the government and in 1999/2000, CLS contributed $500. In 2000/01, CLS was directed to budget for a $500 payment towards revenue sharing. No revenue sharing payment was required for 2001/02. CLS was directed to submit revenue sharing payments in the amount of $200 in each fiscal year from 2002/03 to and including 2008/09. In addition, CLS agreed to make an additional revenue sharing payment of $50 in 2005/06. In 2009/10, 2010/11, and 2011/12 CLS was directed to budget for and submit a $200 payment towards revenue sharing and was directed to make an additional revenue sharing payment of $50 for a total of $250 in each year.

Total savings to March 31, 2012, are $3,600.

THE PUBLIC INTEREST DISCLOSURE (WHISTLEBLOWER PROTECTION) ACT

Any disclosures of wrongdoing received by Civil Legal Services SOA pursuant to *The Public Interest Disclosure (Whistleblower Protection) Act* will be reported in the annual report of Manitoba Justice. For further information, please refer to the 2011/12 annual report of Manitoba Justice.

FINANCIAL

Statement of Operations
(in thousands)

Years ended March 31, 2012 and 2011:

	2012 Budget	2012 Actual	2011 Actual (Restated)
Revenue:			
Recoveries	$ 6,898	$ 7,035	$ 6,562
Interest and Other	11	19	17
	$ 6,909	7,054	$ 6,579
Expenses:			
Advertising and Promotion	2	1	3
Amortization	32	28	33
Communications	42	50	39
Computer	65	53	65
Desktop Management Initiative	184	176	170
Government Records Centre	29	30	27
Law Society Fees	52	64	56
Miscellaneous	10	15	12
Occupancy	218	218	243
Office	35	34	38
Postage and Deliveries	15	16	14
Professional Fees and Services	58	66	57
Publications	40	48	45
Travel	42	20	19
Wages and Benefits	5,868	5,857	5,528
	$ 6,692	$ 6,676	$ 6,349
Net Income before the transfer of funds to the Province of Manitoba	$ 217	$ 378	$ 230
Transfer of funds to the Province of Manitoba	$ 250	$ 250	$ 250
Net income (loss) for the year	(33)	128	(20)
Accumulated Surplus, beginning of year	817	659	679
Accumulated Surplus, end of year	$ 784	$ 787	$ 659

See accompanying notes to financial statements on page 27.

Surplus (Deficit)

CLS's surplus for the 2011/12 fiscal year is $161 (74.2%) over budget, which is attributable to:

(a) CLS's ability to use its staffing flexibility to provide a level of service appropriate to client demand;
(b) a high level of productivity on the part of the members of CLS; and
(c) strong demand for legal services.

Total Expenses

Total expenses for CLS to March 31, 2012, are $16 (0.2%) under budget.

APPENDIX A

Performance Measurement

	Objective	Baseline 1995/96*	2006/07*
Input Measures	To provide timely, high quality, helpful, efficient and cost-effective legal services that meet the needs of its clients, namely, the Government of Manitoba, the government's agencies, boards and committees and those Crown corporations to which CLS provides legal services	32 Full time employees (FTE) 20 counsel 1 articling student 9 admin assistants 1 admin officer 1 director	57 31 counsel* 2 articling students 20 admin assistants 1 admin officer 1 accounting clerk 1 financial officer 1 director *includes four counsel on secondment and one counsel on maternity leave
Output Measures	Number of hours of service provided	27,860 hours	40,320 hours
Activity Measures	Average billable hour target per billable day per counsel	6.5 hours	6.0 hours
	Average actual billable hours per billable day per counsel	Achieved	Achieved
Outcome Measures			
Client Satisfaction	General Client Survey	92% of respondents satisfied or more than satisfied**	No survey
	Client Comment Cards Introduced in February 1997		97% of respondents satisfied or more than satisfied
Cost Effectiveness Cost Savings ($000's)	Annual Cost Savings The amount charged each year to each client represents a net reduction in the client budget and an on-going budgetary savings to government. The total savings to March 31, 2012, are $80,690	$2,702	$5,199
	Surplus (Deficit) The difference between the dollar values of service provided each year and the cost to government of CLS's operations in that year. Total savings to March 31, 2012, are $4,527	CLS Net Income $524	CLS Net Income $16
	Revenue Sharing Total savings to March 31, 2012, are $3,600		Revenue Sharing Payment $200

*Figures are taken from the Annual Report for each applicable year.
**CLS uses the results of the 1996 Client Satisfaction Survey as an ongoing baseline and target for client satisfaction.

2007/08*	2008/09*	2009/10*	2010/11* Restated	2011/12
57	58	58	58	61
31 counsel* 2 articling students 20 admin assistants 1 admin officer 1 accounting clerk 1 financial officer 1 director	33 counsel 2 articling students 19 admin assistants* 1 admin officer 1 accounting clerk 1 financial officer 1 director	33 counsel* 2 articling students 19 admin assistants* 1 admin officer 1 accounting clerk 1 financial officer 1 director	33 counsel* 2 articling students 19 admin assistants* 1 admin officer 1 accounting clerk 1 financial officer 1 director	36 counsel* 2 articling students 19 admin assistants* 1 admin officer 1 accounting clerk 1 financial officer 1 director
*includes three counsel on secondment and two counsel on maternity leave	*includes two counsel on secondment and one admin assistant on maternity leave	*includes two counsel on secondment and one admin assistant on leave	*includes two counsel on secondment, one counsel on leave and one admin assistant on leave	*includes two counsel on secondment, one counsel on leave and one admin assistant on leave; also includes one counsel on secondment in a Prosecutions position
39,178 hours	44,009 hours	43,725 hours	44,029 hours	46,346 hours
6.0 hours	6.0 hours	6.0 hours	6.0 hours	6.0 hours
Achieved	Achieved	Achieved	Achieved	Achieved
No survey	94% of respondents satisfied or more than satisfied	No Survey	No Survey	98% of respondents satisfied or more than satisfied
100% of respondents satisfied or more than satisfied	Client Comment Cards not sent due to Client Survey being conducted	90% of respondents satisfied or more than satisfied	97% of respondents satisfied or more than satisfied	Client Comment Cards not sent due to Client Survey being conducted
$5,254	$6,321	$6,597	$6,562	$7,035
CLS Net Income $5	CLS Net Income $398	CLS Net Income $337	CLS Surplus (Deficit) $230	CLS Surplus (Deficit) $378
Revenue Sharing Payment $200	Revenue Sharing Payment $200	Revenue Sharing Payment $250	Revenue Sharing Payment $250	Revenue Sharing Payment $250

FINANCIAL STATEMENTS

for the year ending March 31, 2012
(In Thousands)

Manitoba

Justice
Civil Legal Services SOA
Room 730 Woodsworth Building
405 Broadway
Winnipeg MB R3C 3L6

In reply, please refer to:
C. Lynn Romeo
Chief Operating Officer

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Civil Legal Services
An Agency of the Province of Manitoba
Special Operating Agencies Financing Authority

Management's Responsibility for Financial Reporting

The accompanying financial statements are the responsibility of management of Civil Legal Services and have been prepared in accordance with Canadian public sector accounting standards. In management's opinion, the financial statements have been properly prepared within reasonable limits of materiality, incorporating management's best judgments regarding all necessary estimates and all other data available as at June 8, 2012.

Management maintains internal controls to properly safeguard the assets and to provide reasonable assurance that the books and records from which the financial statements are derived accurately reflect all transactions and that established policies and procedures are followed.

The financial statements of Civil Legal Services have been audited by Magnus Chartered Accountants LLP, independent external auditors. The responsibility of the auditors is to express an independent opinion on whether the financial statements of Civil Legal Services are fairly represented, in all material respects, in accordance with Canadian public sector accounting standards. The Independent Auditors' Report outlines the scope of the audit examination and provides the audit opinion on the financial statements.

On behalf of Management of Civil Legal Services

C. Lynn Romeo
Chief Operating Officer

INDEPENDENT AUDITORS' REPORT

To the Special Operating Agencies Financing Authority of
Civil Legal Services

Report on the Financial Statements

We have audited the accompanying financial statements of Civil Legal Services, an agency of the Special Operating Agencies Financing Authority, Province of Manitoba, which comprise the statements of financial position as at March 31, 2012, March 31, 2011, and April 1, 2010 and the statements of operations, change in net financial assets and cash flows for the years ended March 31, 2012 and March 31, 2011, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of Civil Legal Services as at March 31, 2012, March 31, 2011 and April 1, 2010 and the results of its operations and cash flows for the years ended March 31, 2012 and March 31, 2011 in accordance with Canadian public sector accounting standards.

Magnus

June 8, 2012
Winnipeg, Canada

Magnus Chartered Accountants LLP

CIVIL LEGAL SERVICES
AN AGENCY OF THE SPECIAL OPERATING AGENCIES FINANCING AUTHORITY
PROVINCE OF MANITOBA

Statement of Financial Position

(in thousands)

As at March 31, 2012, March 31, 2011, and April 1, 2010

	March 31 2012 Actual	March 31 2011 Actual (Restated - Note 4)	April 1 2010 Actual (Restated - Note 4)
Financial assets			
Cash and cash equivalents	$ 1,287	$ 1,118	$ 986
Accounts receivable (Note 6)	863	721	704
Portfolio investments	380	380	379
	2,530	2,219	2,069
Liabilities			
Accounts payable and accrued liabilities	138	105	79
Trust liability	-	-	9
Accrued vacation entitlements	576	540	500
Employee future benefits (Note 8)	1,068	975	884
	1,782	1,620	1,472
Net financial assets	748	599	597
Non-financial assets			
Tangible capital assets (Note 9)	39	60	82
	39	60	82
Accumulated surplus	$ 787	$ 659	$ 679

Designated assets (Note 10)

Commitments (Note 11)

See accompanying notes to financial statements.

CIVIL LEGAL SERVICES
AN AGENCY OF THE SPECIAL OPERATING AGENCIES FINANCING AUTHORITY
PROVINCE OF MANITOBA

Statement of Operations
(in thousands)
Years ended March 31, 2012 and 2011

	2012 Budget	2012 Actual	2011 Actual (Restated - Note 4)
Revenue:			
Recoveries	$ 6,898	$ 7,035	$ 6,562
Interest and other	11	19	17
	6,909	7,054	6,579
Expenses:			
Advertising and promotion	2	1	3
Amortization	32	28	33
Communications	42	50	39
Computer	65	53	65
Desktop management initiative	184	176	170
Government records centre	29	30	27
Law Society fees	52	64	56
Miscellaneous	10	15	12
Occupancy	218	218	243
Office	35	34	38
Postage and deliveries	15	16	14
Professional fees and services	58	66	57
Publications	40	48	45
Travel	42	20	19
Wages and benefits	5,868	5,857	5,528
	6,692	6,676	6,349
Net income before the transfer of funds to the Province of Manitoba	217	378	230
Transfer of funds to the Province of Manitoba (Note 12)	250	250	250
Net income (loss) for the year	(33)	128	(20)
Accumulated surplus, beginning of year	817	659	679
Accumulated surplus, end of year	$ 784	$ 787	$ 659

See accompanying notes to financial statements.

CIVIL LEGAL SERVICES
AN AGENCY OF THE SPECIAL OPERATING AGENCIES FINANCING AUTHORITY
PROVINCE OF MANITOBA

Statement of Change in Net Financial Assets
(in thousands)
Years ended March 31, 2012 and 2011

	2012 Budget	2012 Actual	2011 Actual (Restated - Note 4)
Net income (loss) for the year	$ (33)	$ 128	$ (20)
Tangible capital assets			
Acquisition of tangible capital assets	(47)	(7)	(11)
Amortization of tangible capital assets	32	28	33
Net acquisition of tangible capital assets	(15)	21	22
Increase (decrease) in net financial assets	(48)	149	2
Net financial assets, beginning of year	757	599	597
Net financial assets, end of year	$ 709	$ 748	$ 599

See accompanying notes to financial statements.

CIVIL LEGAL SERVICES
AN AGENCY OF THE SPECIAL OPERATING AGENCIES FINANCING AUTHORITY
PROVINCE OF MANITOBA

Statement of Cash Flow
(in thousands)
Years ended March 31, 2012 and 2011

	2012 Actual	2011 Actual (Restated - Note 4)
Cash provided by (applied to):		
Operating activities:		
Net income (loss) for the year	$ 128	$ (20)
Adjustment for:		
Amortization	28	33
	156	13
Changes in the following:		
Accounts receivable	(142)	(18)
Accounts payable and accrued liabilities	33	26
Trust liability	-	(9)
Accrued vacation entitlements	36	40
Employee future benefits	93	91
Net cash provided by operating activities	176	143
Capital activities:		
Acquisition of tangible capital assets	(7)	(11)
Cash applied to capital activities	(7)	(11)
Change in cash and cash equivalents	169	132
Cash and cash equivalents, beginning of year	1,118	986
Cash and cash equivalents, end of year	$ 1,287	$ 1,118

See accompanying notes to financial statements.

1. Nature of organization

The role of Civil Legal Services (the "Agency") flows from the constitutional and statutory responsibilities of the Minister of Justice as the Chief Legal Advisor to government and the guardian of the public interest. Acting pursuant to government policy, the Agency is responsible for providing a full range of high quality legal services, on a cost recovery basis, to its clients, namely the Province of Manitoba, the province's agencies, boards and commissions and some Crown organizations.

Effective April 1, 1995, the Agency was designated a Special Operating Agency pursuant to *The Special Operating Agencies Financing Authority Act*, Cap. s185, C.C.S.M. and operates under a charter approved by the Lieutenant Governor in Council.

The Agency is financed through the Special Operating Agencies Financing Authority (SOAFA). The Financing Authority has the mandate to hold and acquire assets required for and resulting from Agency operations. It finances the Agency through repayable loans and working capital advances. The financial framework provides increased management authority which, coupled with more rigorous planning and reporting requirements afforded by Special Operating status, assists the Agency to sustain the provision of high quality legal services to its clients.

A Management Agreement between the Financing Authority and the Minister of Justice assigns responsibility to the Agency to manage and account for the Agency related assets and operations on behalf of the Financing Authority.

The Agency continues to be part of Manitoba Justice under the general direction of the Deputy Minister and Minister. The Agency remains bound by relevant legislation and regulations. It is also bound by administrative policy except where specific exemptions have been provided for in its charter in order to meet business objectives.

The Agency is economically dependent on the Province of Manitoba because it derives most of its revenue from the Province and all of its financing requirements through the Financing Authority.

2. Basis of accounting

As of April 1, 2011, the Agency adopted Canadian public sector accounting (PSA) standards with a transition date of April 1, 2010. These are the Agency's first financial statements prepared in accordance with PSA standards. More details on the transition to PSA standards are provided in Note 4 to these financial statements.

The adoption of PSA standards includes the early adoption of PS 1201 Financial Statement Presentation, PS 3041 Portfolio Investments, PS 3450 Financial Instruments, and new PS 3410 Government Transfers.

3. Significant accounting policies

(a) Revenue

Recoveries
Revenue is recognized on an accrual basis as legal services are provided.

Other revenue
All other revenues are recorded on an accrual basis.

3. Significant accounting policies (continued)

(b) Expenses

Accrual accounting
All expenses incurred for goods and services are recorded on an accrual basis.

Government transfers
Government transfers are recognized as expenses in the period in which the transfers are authorized and all eligibility criteria have been met.

(c) Financial assets

Cash and cash equivalents
Cash and cash equivalents include cash on hand and short term deposits and investments with original maturities of three months or less.

Accounts receivable
Accounts receivable are recorded at the lower of cost and net realizable value. An allowance for doubtful accounts is recorded when there is uncertainty whether the amounts will be collected.

Portfolio investments
Portfolio investments are investments and deposits with original maturities of more than three months. These investments are recognized at cost.

(d) Liabilities

Liabilities are present obligations as a result of transactions and events occurring at or prior to the end of the fiscal year the settlement of which will result in the future transfer or use of assets or other form of settlement. Liabilities are recognized when there is an appropriate basis of measurement and a reasonable estimate can be made of the amount involved.

(e) Non-financial assets

Non-financial assets do not normally provide resources to discharge existing liabilities of the Agency. These assets are normally employed to provide future services.

Tangible capital assets

Tangible capital assets are recognized at cost. Cost includes the purchase price as well as other acquisition costs. The costs of tangible capital assets, less any residual value, are amortized over their estimated useful lives as follows:

Computer equipment and software	20% straight line (10% in year of acquisition)
Furniture and fixtures	20% straight line (10% in year of acquisition)
Leasehold improvements	20% straight line (10% in year of acquisition)

(f) Measurement uncertainty

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingencies at the date of the financial statements, and the reported amount of revenues and expenses during the reporting period. Actual results could differ from these estimates.

4. First-time adoption of Canadian public sector accounting standards

In previous fiscal years, the Agency classified itself as a Government Business-Type Organization (GBTO) and followed the recommendations of the Canadian Institute of Chartered Accountants (CICA) Accounting Handbook – Part V. In October 2009, the Public Sector Accounting Board (PSAB) determined that the category will cease to exist for fiscal years ending on or after January 1, 2011, and GBTOs are required to reclassify themselves in accordance with PSA standards. In accordance with recommendations of the Public Sector Accounting Handbook, the Agency has determined that it is an "other government organization" and has determined that PSA standards are the most appropriate framework for financial reporting purposes.

These new standards were required to be applied retroactively. The impacts of this change are as follows:

(a) Cash and cash equivalents

	April 1, 2010
Cash and short term deposits as per previous financial statements	$ 977
Add: trust asset reclassified per PSA standards - Note (i)	9
Cash and cash equivalents as per PSA standards	$ 986

(b) Employee future benefits

	March 31, 2011	April 1, 2010
Severance liability as per previous financial statements	$ 835	$ 744
Add: sick pay benefits recognized per PSA standards - Note (ii)	140	140
Employee future benefits as per PSA standards	$ 975	$ 884

(c) Accumulated surplus

	March 31, 2011	April 1, 2010
Equity as per previous financial statements	$ 799	$ 819
Less: sick pay benefits recognized per PSA standards - Note (ii)	140	140
Accumulated surplus as per PSA standards	$ 659	$ 679

(d) Net income

	March 31, 2011
Net income as per previous financial statements	$ 230
Less: transfer of funds to the Province of Manitoba previously shown as a reduction of retained earnings - Note (iii)	(250)
Net income as per PSA standards	$ (20)

(e) Cash flows

The adoption of PSA standards did not impact the net cash flows of the Agency. However, the adjustments made to cash and cash equivalents, employee future benefits, accumulated surplus and net income resulted in reclassifications of certain amounts presented in the statement of cash flow.

4. First-time adoption of Canadian public sector accounting standards (continued)

Notes:

(i) PSA standards require information about designated assets be disclosed in the notes to the financial statements and not be presented on the statement of financial position. This asset is to be used to discharge the trust liability outstanding as at April 1, 2010.

(ii) PSA standards require the recognition of a liability for future sick pay benefits that accumulate but do not vest. Recognition of a liability for sick pay benefit that accumulate but do not vest was not required under the previous standards.

(iii) Transfer of funds to the Province of Manitoba is presented as an expense in the statement of operations. In the previous financial statements, this transfer was presented as a reduction of retained earnings.

5. Financial instruments and financial risk management

Measurement

Financial instruments are classified into one of two measurement categories: (a) fair value; or (b) cost or amortized cost.

The Agency records its financial assets at cost, which include cash and cash equivalents, accounts receivable and portfolio investments. The Agency also records its financial liabilities at cost, which include accounts payable and accrued liabilities.

Gains and losses on financial instruments measured at fair value are recorded in accumulated surplus as re-measurement gains and losses until realized. Upon disposition of the financial instruments, the cumulative re-measurement gains and losses are reclassified to the statement of operations. Gains and losses on financial instruments measured at cost or amortized cost are recognized in the statement of operations in the period the gain or loss occurs.

The Agency did not incur any re-measurement gains and losses during the year (2011 - $nil).

Financial risk management – overview

The Agency has exposure to the following risks from its use of financial instruments; credit risk; liquidity risk; market risk; interest rate risk; and foreign currency risk.

Credit risk

Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and causes financial loss to another party. Financial instruments which potentially subject the Agency to credit risk consist principally of cash and cash equivalents, accounts receivable and portfolio investments.

5. Financial instruments and financial risk management (continued)

The maximum exposure of the Agency to credit risk at March 31 is:

	2012	2011
Cash and cash equivalents	$ 1,287	$ 1,118
Accounts receivable	863	721
Portfolio Investments	380	380
	$ 2,530	$ 2,219

Cash and cash equivalents and portfolio investments: The Agency is not exposed to significant credit risk as these amounts are held by the Minister of Finance.

Accounts receivable: The Agency is not exposed to significant credit risk as the balance is due primarily from other government departments and agencies and payment in full is typically collected when it is due. The Agency manages this credit risk through close monitoring of overdue accounts.

The Agency establishes an allowance for doubtful accounts that represents its estimate of potential credit losses. The allowance for doubtful accounts is based on management's estimates and assumptions regarding current market conditions, customer analysis and historical payment trends. These factors are considered when determining whether past due accounts are allowed for or written off.

There was no change in the allowance for doubtful accounts during the year and the balance at March 31, 2012 was $nil (2011 - $nil).

Liquidity risk

Liquidity risk is the risk that the Agency will not be able to meet its financial obligations as they come due.

The Agency manages liquidity risk by maintaining adequate cash balances and by review from the Province of Manitoba to ensure adequate funding will be received to meet its obligations.

Market risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates, will affect the Agency's income or the fair values of its financial instruments.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The interest rate exposure relates to cash and cash equivalents and portfolio investments.

The interest rate risk on cash and cash equivalents is considered to be low because of their short-term nature. The interest rate risk on portfolio investments is considered low as the original deposits are reinvested at rates for investments with similar terms and conditions.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Agency is not exposed to significant foreign currency risk as it does not have any significant financial instruments denominated in a foreign currency.

6. Accounts receivable

	2012	2011
Trade accounts receivable	$ 855	$ 710
Other receivables	8	11
	$ 863	$ 721

7. Working capital advances

The Special Operating Agencies Financing Authority has provided the Agency with an authorized line of working capital of $200 of which $nil was used at March 31, 2012 (2011 - $nil).

8. Employee future benefits

	2012	2011
Severance benefits	$ 928	$ 835
Sick pay benefits	140	140
	$ 1,068	$ 975

Pension benefits

Employees of the Agency are eligible for pension benefits in accordance with the provisions of the Civil Service Superannuation Act (CSSA), administered by the Civil Service Superannuation Board (CSSB). The CSSA established a defined benefit plan to provide benefits to employees of the Manitoba Civil Service and to participating agencies of the Government, including the Agency, through the Civil Service Superannuation Fund (CSSF).

Pursuant to an agreement with the Province of Manitoba, the Agency transferred to the Province the pension liability for its employees. The Agency is required to pay to the Province an amount equal to the current pension contributions of their employees. The amount paid for 2012 was $332 (2011 - $320). Under this agreement, the Agency has no further pension liability.

Severance benefits

Effective April 1, 1998, the Agency began recording accumulated severance pay benefits for its employees. The amount of the severance pay benefit obligation is based on actuarial calculations. The periodic actuarial valuations of these liabilities may determine that adjustments are needed to the actuarial calculations when actual experience is different from that expected and/or because of changes in actuarial assumptions used. The resulting actuarial gains or losses are amortized over the expected average remaining service life of the related employee group.

An actuarial report was completed for the severance pay liability as of March 31, 2011. The report provides a formula to update the liability on an annual basis. In accordance with the formula, the Agency's actuarially determined net liability for accounting purposes as at March 31, 2012 is $928 (2011 - $835), with the actuarial loss being amortized over the 15 year expected average remaining service life of the employee group.

8. Employee future benefits (continued)

Significant long-term actuarial assumptions used in the March 31, 2011 valuation, and in the determination of the March 31, 2012 present value of the accrued severance benefit obligation, were:

Annual rate of return	
inflation component	2.00%
real rate of return	4.00%
	6.00%
Assumed salary increase rates	
annual productivity increase	1.00%
annual general salary increase	2.75%
	3.75%

Sick pay benefits

The Agency provides sick leave benefits for employees that accumulate but do not vest. The accrued benefit obligation related to sick leave entitlement earned by employees is determined using a valuation model developed by an actuary. The valuation is based on employee demographics, sick leave usage and actuarial assumptions. These assumptions include a 6.00% annual return and a 3.75% annual salary increase.

9. Tangible capital assets

	2012				2011
	Opening Balance	Additions	Disposals	Closing Balance	Total
Cost					
Computer equipment and software	$ 162	$ -	$ -	$ 162	$ 162
Furniture and fixtures	274	4	-	278	274
Leasehold improvements	77	3	-	80	77
	$ 513	$ 7	$ -	$ 520	$ 513
Accumulated amortization					
Computer equipment and software	$ 141	$ 7	$ -	$ 148	$ 141
Furniture and fixtures	249	16	-	265	249
Leasehold improvements	63	5	-	68	63
Total accumulated amortization	$ 453	$ 28	$ -	$ 481	$ 453
Net book value	$ 60	$ -	$ -	$ 39	$ 60

10. Designated assets

The Agency has allocated $380 (2011 - $380) of its portfolio investments as designated assets for cash received from the Province of Manitoba for the vacation entitlements earned by employees of the Agency prior to its designation as an SOA and the severance pay benefits accumulated to March 31, 1998 for certain of their employees. This amount is held in an interest bearing account until the cash is required to discharge the related liabilities. Any unused balance is re-invested annually.

11. Commitments

The Agency has not entered into a lease agreement with the Province of Manitoba for rental facilities at 405 Broadway. Occupancy charges for the year ending March 31, 2013 are estimated to be $219 (2012 actual - $218).

12. Transfer of funds to the Province of Manitoba

During the year, with Lieutenant-Governor-in-Council approval by Order in Council, the Agency transferred $250 of its surplus funds to the Province of Manitoba (2011 - $250). These amounts are recorded as an expense in the statement of operations.